

TOWNSHIP OF WELLS  
AUDITED FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTAL INFORMATION  
AND SUPPLEMENTAL REPORT  
YEAR ENDED JUNE 30, 2007

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name WELLS TOWNSHIP	County DELTA
Audit Date JUNE 30, 2007	Opinion Date AUGUST 17, 2007	Date Accountant Report Submitted to State: AUGUST 17, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

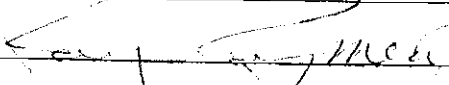
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 617 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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RAYMOND L. PAYMENT  
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August 17, 2007

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Township of Wells  
Delta County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Wells Township as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of Wells Township as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

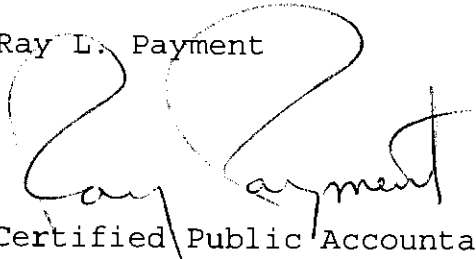
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Wells Township as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments, as amended and interpreted, as of July 1, 2006.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wells Township's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Ray L. Payment



Certified Public Accountant

TOWNSHIP OF WELLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended  
June 30, 2007

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**Management's Discussion and Analysis**

This section of the Wells Township annual financial report presents our discussion and analysis of the Township's performance during the year ended June 30, 2007. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending June 30, 2007. This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

**Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes and by and state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

TOWNSHIP OF WELLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Fund Financial Statements**

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as the major fund are the General Fund and Special Revenue Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Although the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, there are no current year differences between the two types of statements except depreciation expense and fixed assets.

Fiduciary funds, such as the Tax Collection Funds, are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

TOWNSHIP OF WELLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements - Condensed Financial Information**

Statement of Net Assets

The following is a June 30, 2007 condensed statement of net assets with a detailed analysis of the statement below.

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and CD's	\$ 1,156,997
Prepaid expenses	<u>42</u>
Total Current Assets	\$ 1,157,039
Noncurrent Assets -	
Capital assets, net of accumulated depreciation	<u>748,874</u>
Total Assets	<u>\$ 1,905,913</u>
LIABILITIES	
Deferred Revenue - Hannahville Grant	<u>\$ 35,881</u>
NET ASSETS	<u>\$ 1,870,032</u>
Invested in capital assets, net of related debt	\$ 748,874
Unrestricted	<u>1,121,158</u>
Total Net Assets	<u>\$ 1,870,032</u>

The Township's total net assets are \$1,905,913 at June 30, 2007. Capital assets are \$748,874. This figure is derived by taking the original cost of the Township's assets and subtracting accumulated depreciation to date.



TOWNSHIP OF WELLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements - Condensed Financial Information**

Statement of Net Assets (Continued)

The total unrestricted net assets are \$1,121,158 as of June 30, 2007. This is the net accumulated result of the current and past years' operations. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at June 30, 2007.

**Statement of Activities**

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended June 30, 2007. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the previous year are not made.

	<u>Governmental Activities</u>
Revenue:	
Program Revenues:	
Charges for services	\$ 12,619
Operating grants and contributions	1,715
General Revenues:	
Tax Collection fees	87,826
State grants	343,136
Interest and rents	52,957
Other revenue	<u>1,500</u>
Total Revenue	\$ 499,753
Program expenses -	
Governmental activities	<u>526,343</u>
Decrease in Net Assets	<u>\$ ( 26,590)</u>

The Township had an overall decrease in net assets of \$26,590 for the year ended June 30, 2007. The Township's revenues totaled \$499,753.

TOWNSHIP OF WELLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Statement of Activities (Continued)**

The Township's total cost to fund governmental activities was \$526,343. A majority of these costs were funded by collection fees and state grants. This shows the Township has reliance on collection fees and grants to provide future funding for its programs and administrative costs.

**Governmental Fund Budgetary Items**

A schedule showing the Township's final budget and the actual results are included as required supplementary information in the financial section of the audit report.

**Capital Assets**

At June 30, 2007, the Township had \$748,874 invested in capital assets net of accumulated depreciation. The changes in capital assets during the year ended June 30, 2007 were equipment purchases of \$6,536.

**Debt**

The Township had no outstanding debt at June 30, 2007. The deferred revenue consisted of unspent Hannahville grants to be spent on consulting services.

**Future Considerations**

The change in state aid payments along with State budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Township with a positive Fund Balance.

**Contacting the Township**

If you have any questions about this report or need additional information, contact the Township offices.

BASIC  
FINANCIAL  
STATEMENTS

TOWNSHIP OF WELLS  
STATEMENT OF NET ASSETS

June 30, 2007

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ASSETS

CURRENT ASSETS:	
Cash and CD's	\$ 1 156 997
Prepaid expenses	<u>42</u>
TOTAL CURRENT ASSETS	<u>\$ 1 157 039</u>
NONCURRENT ASSETS	
Capital assets	1 973 017
Less accumulated depreciation	<u>(1 224 143)</u>
TOTAL NONCURRENT ASSETS	<u>748 874</u>
TOTAL ASSETS	<u><u>\$ 1 905 913</u></u>

LIABILITIES

Deferred Revenue - Hannahville Grant	<u>\$ 35 881</u>
NET ASSETS	<u><u>\$ 1 870 032</u></u>
Invested in capital assets, net of related debt	\$ 748 874
Unrestricted	<u>1 121 158</u>
TOTAL NET ASSETS	<u><u>\$ 1 870 032</u></u>

The accompanying notes are an integral part of  
the financial statements.

TOWNSHIP OF WELLS  
STATEMENT OF ACTIVITIES

June 30, 2007

		<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges</u>	<u>Operating</u>	<u>Activities</u>
	<u>Expenses</u>	<u>for</u>	<u>Grants and</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Assets</u>
Governmental activities:				
Legislative General	\$ 53 189	\$ -	\$ -	\$ ( 53 189)
Government	257 162	-	-	( 257 162)
Public Safety	68 057	-	1 715	( 66 342)
Public Works	95 980	12 619	-	( 83 361)
Unallocated - Depreciation	<u>51 955</u>	<u>-</u>	<u>-</u>	<u>( 51 955)</u>
Total Governmental Activities	\$ 526 343	\$ 12 619	\$ 1 715	\$ ( 512 009)
General revenues:				
Tax collection fees				\$ 87 826
State grants				343 136
Interest and rents				52 957
Other revenue				<u>1 500</u>
Total General Revenues				<u>485 419</u>
Changes in Net Assets				\$ ( 26 590)
Net assets at July 1, 2006				<u>1 896 622</u>
Net assets at June 30, 2007				<u>\$ 1 870 032</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF WELLS  
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	ASSETS			
	General Fund	Liquor Fund	Special Assessment Fund	Total
Cash and CD's	\$1 148 507	\$ 2 004	\$ 6 486	\$1 156 997
Prepaid expenses	<u>42</u>	<u>-</u>	<u>-</u>	<u>42</u>
TOTAL ASSETS	<u>\$1 148 549</u>	<u>\$ 2 004</u>	<u>\$ 6 486</u>	<u>\$1 157 039</u>
	LIABILITIES AND FUND EQUITY			
Liabilities - Deferred Revenue - Hannahville Grant	\$ 35 881	\$ -	\$ -	\$ 35 881
Fund Equity - unreserved fund balance	<u>1 112 668</u>	<u>2 004</u>	<u>6 486</u>	<u>1 121 158</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$1 148 549</u>	<u>\$ 2 004</u>	<u>\$ 6 486</u>	<u>\$1 157 039</u>

The accompanying notes are an integral part  
of the financial statements.

TOWNSHIP OF WELLS  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND  
WITH THE STATEMENT OF NET ASSETS

June 30, 2007

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Total fund equity of governmental activities	\$1 121 158
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Amounts reported for governmental activities in the  
statement of net assets are different because:

    Additions:

        Capital assets used in government activities  
        are not financial resources and therefore are  
        not reported as assets in governmental funds.

Cost of capital assets	\$1 973 017	
Accumulated depreciation	<u>(1 224 143)</u>	<u>748 874</u>

Total net assets of governmental activities	<u>\$1 870 032</u>
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RECONCILIATION OF STATEMENTS OF REVENUES  
AND EXPENDITURES OF THE GOVERNMENTAL  
FUND WITH THE STATEMENT OF ACTIVITIES

June 30, 2007

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Excess revenues over expenditures of governmental activities	\$ 18 829
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    Additions:

Cost of capital assets acquired this year	6 536
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    Subtractions:

Depreciation expense	<u>( 51 955)</u>
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Changes in Net Assets	<u>\$ ( 26 590)</u>
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The accompanying notes are an integral part of the  
financial statements.

TOWNSHIP OF WELLS  
COMBINED STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES

Year Ended June 30, 2007

	Governmental Fund Types			
	General	Liquor	Special Assessment	Total
CASH RECEIPTS:				
State revenue sharing	\$ 343 136	\$ 1 715	\$ -	\$ 344 851
Tax collection fees	87 826	-	-	87 826
Rents	850	-	-	850
Interest earned on deposits	52 107	-	-	52 107
Special assessments	-	-	12 619	12 619
Miscellaneous receipts and reimbursements	1 500	-	-	1 500
TOTAL CASH RECEIPTS	<u>485 419</u>	<u>1 715</u>	<u>12 619</u>	<u>499 753</u>
CASH DISBURSEMENTS:				
Legislative:				
Township Board	53 189	-	-	53 189
General Governments:				
Supervisor	32 295	-	-	32 295
Clerk	26 409	-	-	26 409
Treasurer	20 333	-	-	20 333
Summer tax collection	8 777	-	-	8 777
Assessor	84 714	-	-	84 714
Elections	4 577	-	-	4 577
Buildings and grounds	10 060	-	-	10 060
Parks	3 093	-	-	3 093
Board of Review	1 544	-	-	1 544
Attorney and legal	4 322	-	-	4 322
Personnel	67 574	-	-	67 574
Fire protection	66 342	-	-	66 342
Highways, streets and street lights	87 918	-	8 062	95 980
Liquor inspection	-	1 715	-	1 715
TOTAL CASH DISBURSEMENTS	<u>471 147</u>	<u>1 715</u>	<u>8 062</u>	<u>480 924</u>
EXCESS OF CASH RECEIPTS (DISBURSEMENTS)	\$ 14 272	\$ -	\$ 4 557	\$ 18 829
FUND BALANCE, at beginning of period	<u>1 098 396</u>	<u>2 004</u>	<u>1 929</u>	<u>1 102 329</u>
FUND BALANCE, at end of period	<u>\$1 112 668</u>	<u>\$ 2 004</u>	<u>\$ 6 486</u>	<u>\$1 121 158</u>

The accompanying notes are an integral part of the financial statements.



NOTES  
TO  
FINANCIAL  
STATEMENTS

TOWNSHIP OF WELLS  
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Township operates under and elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Governmental-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township activities are considered to be governmental activities. There was no interfund activity to be eliminated in the Governmental-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The Township reports the General and Special Revenue Funds as the Major Fund.

TOWNSHIP OF WELLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Type

General Fund and Special Revenue Funds - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources. The Special Revenue Funds account for revenues and expenditures to be used as per legal or regulatory provisions.

Fiduciary Fund Type

The Tax and Trust and Agency funds are used to account for assets held by the Township in a trustee capacity. These funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting

Government-wide Financial Statements

The Governmental-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

TOWNSHIP OF WELLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due. The Township has no long-term debt.

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for the Township. For budgetary purposes, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year.

TOWNSHIP OF WELLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County. The Township bills and collects its own property taxes and also collects current rolls for the County, Intermediate School District and Local School District.

Capital Assets and Depreciation

Capital assets include land, buildings and improvements and equipment and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$100 or betterments totaling \$1,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The Capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	25-50 years
Equipment	5-10 years

Investment in Capital Assets

This is a portion of net assets of the Township that consists of capital assets, net accumulated depreciation. The Township had net investment in capital assets at June 30, 2007 of \$748,874.

Restricted Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Township has no restricted assets at June 30, 2007.

TOWNSHIP OF WELLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Accounting Change

Effective July 1, 2006, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). Significant changes to the Township's financial statements as a result of GASB No. 34 are as follows:

Management Discussion and Analysis - provides analysis of the Township's overall financial position and results of operations as reported by the Township's management.

Government-wide financial statements - Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Township's activities.

Capital assets - recorded in the governmental activities statement of net assets at June 30, 2007 are \$1,973,017 along with \$1,224,143 of accumulated depreciation of those capital assets. The June 30, 2006 financial statements reported fixed assets in the General Fixed Assets Account Group (GFAAG) that has been eliminated for reporting purposes. No change was reported in the historical cost of the assets from the GFAAG to the current July 1, 2006 beginning capital assets balance.

Major funds - fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity.

TOWNSHIP OF WELLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE B - CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or with an investment broker who purchased certificates of deposit insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At June 30, 2007 total cash and certificates of deposit as reported by banks and investment broker amounted to \$1,156,997, of which \$400,000 was covered by depository insurance and \$756,997 was not covered.

NOTE C - PROPERTY TAXES

A summary of the 2006 tax roll follows:

<u>Taxing Unit</u>	<u>Mills</u>	<u>Spread</u>	<u>Delinquent</u>	<u>Collected</u>
County and 911	6.9897	\$1 680 747	\$ 49 403	\$ 1 631 344
State education tax	6.0000	1 404 972	28 702	1 376 270
Local school	20.9100	3 302 963	71 589	3 231 374
Intermediate school	2.3851	567 576	21 885	545 691
Bay de Noc College	3.5337	849 092	32 425	816 667
TOTALS	39.8185	\$7 805 350	\$ 204 004	\$ 7 601 346
				<hr/>
Taxable Valuation				\$234 165 924
				<hr/>

TOWNSHIP OF WELLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE D - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Township has no funds with a deficit as of June 30, 2007.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township was in substantial compliance with the Act.

NOTE E - CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended June 30, 2007:

	Balance at July 1, 2006	Additions	Disposals	Balance at June 30, 2007
<u>Governmental Activities</u>				
Assets:				
Building and improvements	\$1 490 024	\$ -	\$ -	\$ 1 490 024
Equipment	476 457	6 536	-	482 993
	1 966 481	6 536	-	\$ 1 973 017
Less accumulated depreciation	(1 172 188)	( 51 955)	-	(1 224 143)
Net Capital Assets	\$ 794 293	\$(45 419)	\$ -	\$ 748 874



TOWNSHIP OF WELLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE F - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of June 30, 2007, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provisions for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10 - PENSION PLAN

Wells Township maintains a defined contribution pension plan covering employees of the Township. Principle provisions of the plan require the Township and the employee to each contribute to the plan to provide for immediate 100% vesting with a normal retirement date at age 65. The total expense for the retirement plan for the year was \$3,285.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

TOWNSHIP OF WELLS  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - CASH BASIS  
- BUDGET AND ACTUAL -  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended June 30, 2007

	<u>General Fund</u>		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:			
State shared revenue	\$ 320 000	\$ 343 136	\$ 23 136
Collection fees	81 000	87 826	6 826
Rents	600	850	250
Interest	18 000	52 107	34 107
Other revenues and assessments	115	1 500	1 385
Licenses fees - Liquor	-	-	-
Total revenues	<u>419 715</u>	<u>485 419</u>	<u>65 704</u>
EXPENDITURES:			
Legislative board expenses	65 000	53 189	11 811
Supervisor	32 500	32 295	205
Elections	6 800	4 577	2 223
Clerk and deputy clerk	26 550	26 409	141
Board of Review	2 950	1 544	1 406
Treasurer and deputy treasurer	20 800	20 333	467
Personnel	69 750	67 574	2 176
Buildings and grounds	23 000	10 060	12 940
Parks	9 800	3 093	6 707
Fire protection	69 400	66 342	3 058
Highways and bridges	60 000	52 338	7 662
Street lights	37 000	35 580	1 420
Assessor	85 500	84 714	786
Liquor inspection	-	-	-
Summer tax collection	8 950	8 777	173
Attorney and legal	4 325	4 322	3
Total expenditures	<u>522 325</u>	<u>471 147</u>	<u>51 178</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(102 610)	14 272	116 882
FUND BALANCE, July 1, 2006	<u>1 098 396</u>	<u>1 098 396</u>	<u>-</u>
FUND BALANCE, June 30, 2007	<u>\$ 995 786</u>	<u>\$1 112 668</u>	<u>\$ 116 882</u>

The accompanying notes are an integral part of  
the financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
7 700	12 619	4 919
<u>1 900</u>	<u>1 715</u>	<u>( 185)</u>
<u>9 600</u>	<u>14 334</u>	<u>4 734</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
9 268	8 062	1 206
-	-	-
1 900	1 715	185
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>11 168</u>	<u>9 777</u>	<u>1 391</u>
(1 568)	4 557	6 135
<u>3 933</u>	<u>3 933</u>	<u>-</u>
\$ 2 365	\$ 8 490	\$ 6 135

OTHER  
FINANCIAL  
INFORMATION

TOWNSHIP OF WELLS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL FIDUCIARY FUND TYPES

June 30, 2007

CURRENT TAX COLLECTION FUND	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>ASSETS</u>				
Cash	\$ -	\$ 7 858 413	\$ 7 858 413	\$ -
TOTAL ASSETS	\$ -	\$ 7 858 413	\$ 7 858 413	\$ -
<u>LIABILITIES</u>				
Due to other taxing units:				
Bay de Noc College	\$ -	\$ 816 667	\$ 816 667	\$ -
Township of Wells	-	106 005	106 005	-
Delta County	-	1 633 118	1 633 118	-
Intermediate School District	-	545 691	545 691	-
Escanaba Area Schools	-	3 231 374	3 231 374	-
State of Michigan	-	1 525 558	1 525 558	-
TOTAL LIABILITIES	\$ -	\$ 7 858 413	\$ 7 858 413	\$ -

REPORT ON COMPLIANCE  
AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS

August 17, 2007

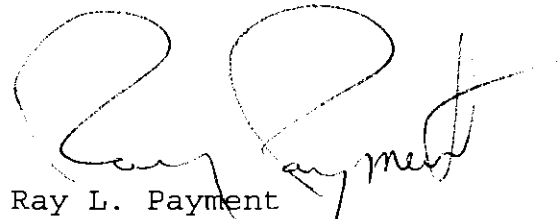
Supervisor and Members of the Board  
Township of Wells  
Delta County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Wells Township as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements and have issued my report thereon dated May 25, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wells Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance with State of Michigan deposit laws.

This report is intended solely for the information and use of the Township Board, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Ray L. Payment", is written over a faint, circular stamp or watermark.

Ray L. Payment  
Certified Public Accountant